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**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
CALCASIEU PARISH POLICE JURY
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date _____

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
Lake Charles, Louisiana

FINANCIAL REPORT
December 31, 2002

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GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

December 31, 2002

COMMISSIONERS

Ernest Walker - President
Denise Foster - Vice President
Jack Chelette - Secretary Treasurer
Lowell Guillory - Board Member
Patrick Hay - Board Member

LEGAL COUNSEL

Terry Manuel - District Attorney

McELROY, QUIRK & BURCH

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Carl W. Comeaux, CPA
Barbara Hutson Gonzales, CPA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Tina Demarest Barrett, CPA, CVA
Mollie C. Broussard, CPA



Billy D. Fisher, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Joe G. Peshoff II, CPA, CVA

Charles P. Quirk, CPA, Retired
Otray J. Woods Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Judson J. McCann Jr., CPA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Gravity Drainage District No. 4
of Calcasieu Parish
Calcasieu Parish Police Jury
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 16, 2003, on our consideration of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Mc Elroy, Quirk & Burch

Lake Charles, Louisiana
May 16, 2003

Totals (Memorandum Only)	
2002	2001
\$ 509,518	\$ 2,621,570
5,535,362	2,938,300
2,068,682	1,955,657
43,363	82,152
28,918	30,048
400	-
<u>17,100,385</u>	<u>16,884,488</u>
<u>\$ 25,286,628</u>	<u>\$ 24,512,215</u>

\$ 67,141	\$ 41,900
242,465	258,344
31,093	29,284
<u>26,809</u>	<u>26,809</u>
<u>367,508</u>	<u>356,337</u>

16,883,785	16,667,888
216,600	216,600
<u>7,818,735</u>	<u>7,271,390</u>
<u>24,919,120</u>	<u>24,155,878</u>
<u>\$ 25,286,628</u>	<u>\$ 24,512,215</u>

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUND
Years Ended December 31, 2002 and 2001

	<u>Special Revenue Fund</u>	
	<u>2002</u>	<u>2001</u>
Revenues:		
Ad valorem taxes	\$ 1,999,829	\$ 1,909,545
State grants - DOTD	-	833,967
Local grants:		
City of Lake Charles	-	2,597
Calcasieu Parish Police Jury	-	458,786
State revenue sharing	80,428	80,428
Interest	217,598	302,370
Proceeds from sale of assets	7,886	-
Miscellaneous	<u>1,050</u>	<u>100</u>
Total revenues	<u>2,306,791</u>	<u>3,587,793</u>
Expenditures:		
Public works:		
Drainage and flood control:		
Salaries and benefits	769,207	738,986
Per diem (Board of Commissioners)	17,275	15,490
Operating services	541,405	599,653
Materials and supplies	146,331	129,842
Intergovernmental charges	60,322	57,618
Capital outlay	<u>224,906</u>	<u>2,453,183</u>
Total expenditures	<u>1,759,446</u>	<u>3,994,772</u>
Excess (deficiency) of revenues over expenditures	547,345	(406,979)
Fund balance at beginning of year	<u>7,271,390</u>	<u>7,678,369</u>
Fund balance at end of year	<u>\$ 7,818,735</u>	<u>\$ 7,271,390</u>

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 2002

With Comparative Actual Amounts for Year Ended December 31, 2001

	<u>2002</u>			<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Ad valorem taxes	\$ 1,888,000	\$ 1,886,804	\$ (1,196)	\$ 1,756,947
State grants-DOTD	-	-	-	833,967
Local grants:				
City of Lake Charles	-	-	-	2,597
Calcasieu Parish Police				
Jury	40,000	38,789	(1,211)	434,435
State revenue sharing	80,400	107,238	26,838	107,238
Interest	132,500	171,666	39,166	362,408
Proceeds from sale of assets	3,900	7,886	3,986	-
Miscellaneous	1,100	1,050	(50)	100
Total revenues	<u>2,145,900</u>	<u>2,213,433</u>	<u>67,533</u>	<u>3,497,692</u>
Expenditures:				
Salaries and benefits	767,850	769,607	(1,757)	726,122
Per diem	17,600	17,275	325	15,490
Operating services	566,800	541,405	25,395	599,653
Materials and supplies	157,450	146,331	11,119	129,842
Capital outlay:				
Acquisition of land	61,000	61,000	-	862
Acquisition of equipment	34,000	33,907	93	-
Acquisition of vehicles	65,000	60,016	4,984	88,255
Acquisition of right of way	2,000	-	2,000	2,701
Acquisition/improvement of				
buildings	3,000	-	3,000	9,000
Construction	89,000	85,862	3,138	2,133,312
Intergovernmental:				
Intergovernmental service				
charges	60,400	60,322	78	57,618
Total expenditures	<u>1,824,100</u>	<u>1,775,725</u>	<u>48,375</u>	<u>3,762,855</u>
Excess (deficiency) of revenues over expenditures- budget basis	<u>\$ 321,800</u>	437,708	<u>\$ 115,908</u>	(265,163)

(continued on next page)

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 2002
With Comparative Actual Amounts for Year Ended December 31, 2001
(Continued)

	<u>2002</u>			<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Excess (deficiency) of revenues over expenditures- budget basis	<u>\$ 321,800</u>	437,708	<u>\$ 115,908</u>	(265,163)
Adjustments to convert to GAAP basis:				
To adjust revenues for accruals		93,358		90,100
To adjust expenditures for accruals		<u>16,279</u>		<u>(231,916)</u>
Excess (deficiency) of revenues over expenditures- GAAP basis		547,345		(406,979)
Fund balance at beginning of year		<u>7,271,390</u>		<u>7,678,369</u>
Fund balance at end of year		<u>\$ 7,818,735</u>		<u>\$ 7,271,390</u>

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business

Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury responsible for maintenance of certain natural drainage laterals located in Ward 3, Calcasieu Parish.

Recent Accounting Pronouncements

In June 1999, the Government Accounting Standards Board issued GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement requires special purpose governments to redraft their financial statements to include a section for management discussion and analysis, enterprise fund financial statements (defined to include a statement of net assets; a statement of revenues, expenses and changes in fund net assets; and a statement of cash flows), notes to the financial statements, and required supplementary information. This statement is effective for Gravity Drainage District #4 for fiscal years beginning after December 31, 2002. Gravity Drainage District #4 does not anticipate that the adoption of GASB No. 34 will have a material effect on its financial position or results of operations.

2. Summary of Significant Accounting Policies

The accounting policies of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the Board of Commissioners of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for

NOTES TO FINANCIAL STATEMENTS

which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana.

B. Fund Accounting

The accounts of the Gravity Drainage District No. 4 of Calcasieu Parish are organized on the basis of funds and account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

GOVERNMENTAL FUNDS

Special Revenue Fund - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified purposes.

GENERAL FIXED ASSETS

Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt. The following is the District's account group:

General Fixed Assets Account Group - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. Infrastructure projects are also accounted for in the General Fixed Assets Account Group.

NOTES TO FINANCIAL STATEMENTS

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund is maintained on the modified accrual basis of accounting, utilizing the following practices in recording revenues and expenditures.

Revenues - The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

D. Budgets and Budgetary Accounting

Annually, the District adopts a revenue and expenditure budget for the general fund. A forecast of revenues and expenditures is made based upon the prior year's expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year.

The budget is adopted on a modified cash basis method of accounting. Budgetary comparisons presented in this report are on this non-GAAP budgetary basis. Budget amounts are as originally adopted, adjusted for subsequent amendments.

Encumbrance accounting is not used.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. In addition the District is authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by the initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents, which include cash, demand deposits, and U.S. Government agencies having an original maturity of three months or less from the date acquired are stated at amortized cost at December 31, 2002 and 2001. Investments, which include U.S. Government agencies, having an original maturity in excess of three months from the date acquired are stated at fair market value. LAMP investments are stated at cost which approximates fair market value and are classified as cash equivalents.

F. Vacation and Sick Leave

Substantially all employees earn five to twenty days of vacation leave each year depending on length of service with the Drainage District. Generally, vacation leave cannot be accumulated. However, vacation leave is allowed to be carried forward for the Superintendent, the Assistant Superintendent and the Office Manager.

All Drainage District employees earn twelve and one-half hours of sick leave per month. Sick leave can be accumulated without limitation. Upon retirement, all unused sick leave is used in the retirement benefit computation as earned service.

Upon resignation, unused sick leave is forfeited and unused vacation leave must be taken and may not be settled in cash. The amount of unused sick leave was \$120,544 and \$111,022 at December 31, 2002 and 2001, respectively. Because these liabilities will not be settled in cash, they are not included in the financial statements.

G. Total Columns on Combined Statements-Overview

Total columns on the combined statements-overview are captioned Memorandum Only to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

H. Ad Valorem Taxes and State Revenue Sharing

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by Calcasieu Parish around October and are actually billed to the taxpayers in November. Billed taxes become delinquent on December 31.

NOTES TO FINANCIAL STATEMENTS

The parish bills and collects its property taxes using the assessed values determined by the Calcasieu Parish Tax Assessor.

Accounting principles generally accepted in the United States of America for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Expected collections and collections of the 2002 levy are accrued as receivable and as revenue in the current year (2002). For budget purposes, property taxes collected in 2002 are designated as revenue appropriable in the 2002 budget year.

3. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2002 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits-interest bearing (category 1)	\$ 100,000	\$ 100,000
Demand deposits-interest bearing (category 2)	<u>129,673</u>	<u>150,164</u>
Total demand deposits	229,673	250,164
Deposits held by LAMP	<u>279,845</u>	<u>279,845</u>
Total cash and cash equivalents	<u>\$ 509,518</u>	<u>\$ 530,009</u>

Balances at December 31, 2001 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits-interest bearing (category 1)	\$ 100,000	\$ 100,000
Demand deposits-interest bearing (category 2)	<u>379,498</u>	<u>387,388</u>
Total	<u>\$ 479,498</u>	<u>\$ 487,388</u>

NOTES TO FINANCIAL STATEMENTS

Cash and demand deposits of the District are classified into three categories to give an indication of the level of risk assumed at year end. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the District or its agent in the District's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 represents deposits uncollateralized including any securities held for the entity but not in the District's name.

The Gravity Drainage District No. 4 maintains demand deposits (cash) through local depository banks which are members of the Federal Reserve System. In accordance with an agreement with the Calcasieu Parish Police Jury, which is approved by the Board, certain funds are invested and managed by that agency.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality or school district.

The District's bank demand deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the District's name.

Deposits held by LAMP at December 31, 2002, consist of \$279,845 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section I50.165 the investment in LAMP at December 31, 2002, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the state of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in

NOTES TO FINANCIAL STATEMENTS

Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

4. Investments

Following are investments reported at fair market value of the District at year end categorized to give an indication of the level of risk assumed by the District. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the name of the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the name of the District. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the name of the District.

	Reported Amount		
	Category		
	1	2	3
December 31, 2002			
U.S. Government Agencies securities	\$ 5,535,362	\$ -	\$ -
	Reported Amount		
	Category		
	1	2	3
December 31, 2001			
U.S. Government Agencies securities	\$ 2,938,300	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

5. Grants Receivable

This represents the grants receivable from the following for the indicated construction projects:

Calcasieu Parish Police Jury:	
Antoine Gully (Phase 2)	\$ 24,163
State of Louisiana:	
Antoine Gully (Phase 2)	18,507
City of Lake Charles:	
Louie Street drainage and driveway rehabilitation	<u>693</u>
	<u>\$ 43,363</u>

6. General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 1/1/02	Additions	Deletions	Balance 12/31/02
Land	\$ 180,116	\$ 61,000	\$ 4,000	\$ 237,116
Building and plant	14,816,360	68,860	-	14,885,220
Light equipment	200,844	60,016	3,886	256,974
Heavy equipment	1,449,965	33,907	-	1,483,872
Furniture and fixtures	20,603	-	-	20,603
Contributed capital- heavy equipment	<u>216,600</u>	<u>-</u>	<u>-</u>	<u>216,600</u>
	<u>\$ 16,884,488</u>	<u>\$ 223,783</u>	<u>\$ 7,886</u>	<u>\$ 17,100,385</u>

7. Retirement Benefits

Defined benefit pension plan:

Plan description:

Substantially all employees are members of the Parochial Employees' Retirement System of Louisiana. Act 205 of 1952 established this retirement system, effective January 1, 1953. A comprehensive revision of the Parochial Employees' Retirement System law became effective January 1, 1980. This retirement system is operated by a Board of Trustees, an Administrative Director, an Actuary and a Legal Advisor.

NOTES TO FINANCIAL STATEMENTS

All permanent employees of the District who work at least 28 hours a week shall become members on the date of employment. Members become entitled to receive retirement benefits after 10 years of creditable service. Eligibility to actually begin receiving benefits is a function of fulfilling the eligibility provisions of age and service.

Members with 10 years of creditable service may retire at age sixty; members with 25 years of service may retire at age fifty-five; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for this retirement system. DROP is an option for those members who have been eligible for normal retirement for one year. The plan allows the pension benefit that is accrued at that point in time to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future retirement benefit at retirement.

Funding policy:

The system is funded primarily by employer and employee contributions which are expressed as percentages of payroll. The amount of employee contributions is fixed by law. Covered employees were required by Louisiana state statute to contribute 9.5% of their salary to the plan. The District was required by the same statute to contribute 7.75% of eligible salaries. In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish (excepting Orleans and East Baton Rouge Parish) and remits the money to the system on an annual basis. The cost of operating the system is funded by a portion of the contribution.

NOTES TO FINANCIAL STATEMENTS

The District's contributions to the Parochial Employees' Retirement System of Louisiana for each of the years ending December 31, 2002, 2001 and 2000 are presented below. These contributions are equal to the required contributions for each year.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Employer's contribution	\$ 35,986	\$ 34,793	\$ 33,685
Employees' contribution	<u>44,111</u>	<u>42,650</u>	<u>41,290</u>
	<u>\$ 80,097</u>	<u>\$ 77,443</u>	<u>\$ 74,975</u>

The Drainage District does not guarantee any benefits granted by the retirement system.

8. Employee Benefit Plan

The District maintains a medical and death benefits plan covering substantially all employees of the District. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is funded through contributions made by the District through premiums and expenditures made by the District. Effective October 1, 2001, the District changed its medical benefits plan to provide medical benefits through a health insurance policy for which the District is responsible for the premium costs only.

The plan provides benefits that cover permanent, full-time employees of the District who choose to participate following the employee waiting period. The employee waiting period for all new employees is the first of the month following three months of full-time employment. Employees are not required to contribute to the plan in order to participate. The plan also provides continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) for qualified beneficiaries who would otherwise have lost coverage under the plan.

Although it has not expressed an intent to do so, the District has the right to discontinue its contributions at any time and to terminate the plan subject to the provisions of ERISA.

NOTES TO FINANCIAL STATEMENTS

9. Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Tax revenue is shown net of the change in estimated uncollectible taxes of \$21,107.

10. Contracts Payable

This represents the amount due to contractors relating to the following construction projects:

Antoine Gully (Phase 2)	\$ 242,465
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11. Unreserved Fund Balance Designation

The Board of Commissioners continue their policy of designating fund balance to provide a contingency reserve of resources to respond to major equipment overhaul and replacement needs. The various pump systems of the District (with unit replacements ranging from \$100,000 to \$2,000,000 per pump and possibly involving critically short turnaround times) comprise the major objectives of this contingency designation. Total designations at December 31, 2002 are as follows:

Property tax revenue designated for subsequent year	\$ 1,915,586
Major equipment overhaul and replacement needs	<u>5,903,149</u>
	<u>\$ 7,818,735</u>

12. Commitments and Contingencies

Commitments for the purchase of equipment at December 31, 2002 totaled \$34,020.

NOTES TO FINANCIAL STATEMENTS

13. Budget - GAAP Reporting Reconciliation

The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Budgetary Basis) and Actual for the special revenue fund, presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis (cash basis of accounting) differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basic, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2002 is presented on that budgetary comparison statement.

14. Schedule of Commissioners' Compensation

Commissioner:	
Jack Chelette	\$ 3,540
Denise Foster	3,540
Patrick Hay	3,540
Ernest Walker	3,540
Lowell Guillory	<u>3,115</u>
Total	<u>\$ 17,275</u>

Commissioners are compensated at the rate of \$260 per month from January - September 2002. The rate of compensation increased to \$400 per month as of October 1, 2002.

15. Subsequent Events

On January 14, 2003, Gravity Drainage District No. 4 entered into a contract for drainage improvements on Heard Road Lateral (W.38) at a total cost of \$687,948.

On March 18, 2003, Gravity Drainage District No. 4 and the City of Lake Charles entered into an agreement for drainage improvements on Prien Lake Road at Henderson Bayou at a total cost \$76,940. Gravity Drainage District No.4's portion of the total cost is \$38,470.

On April 15, 2003, Gravity Drainage District No. 4 entered into an agreement for drainage improvements on Highway 90 at a total cost of \$57,665.

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CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Gravity Drainage District No. 4
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the general purpose financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana (District), a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2002, and have issued our report thereon dated May 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters, as described below, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable conditions reported above to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mc Elroy, Quirk & Burch

Lake Charles, Louisiana
May 16, 2003

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2002

We have audited the financial statements of Gravity Drainage District No. 4 of Calcasieu Parish as of and for the year ended December 31, 2002, and have issued our report thereon dated May 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2002 resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses ☒ Yes ☐ No

Other conditions ☐ Yes ☒ No

Compliance

Compliance material to financial statements ☐ Yes ☒ No

(continued on next page)

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2002
(Continued)

Section II - Financial Statement Findings

Internal Control Findings:

2002-01

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

This condition was also reported as a result of the prior year's audit.

Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2002

Prior Year Findings

Compliance Findings:

2001-01 Failure to comply with LA Revised Statute 10:4-406 related to total actual expenditures exceeding total budgeted expenditures by five percent or more.

This matter has been resolved.

Internal Control Findings:

2001-02 Material weakness relating to inadequate segregation of duties continues to exist during the year 2002. This matter has been discussed above at item 2002-01.

